House of Representatives

General Assembly

File No. 824

January Session, 2001

(Reprint of File No. 398)

Substitute House Bill No. 6365
As Amended by House Amendment
Schedules "A" and "B"

Approved by the Legislative Commissioner
May 25, 2001

AN ACT CONCERNING CLEAN AIR STANDARDS FOR CERTAIN POWER PLANTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) As used in sections 1 to 4, inclusive, of this act, subsection (b) of section 12-587 of the general statutes, as amended by this act, subsection (d) of section 16-50k of the general statutes, as amended by this act, section 12-81 of the general statutes, as amended by this act, section 16-244c of the general statutes, as amended by this act, section 9 of this act and subsection (c) of section 16-245n of the general statutes, as amended by this act:

(1) "Affected unit" means any emissions unit subject to the provisions of section 22a-174-22b of the Regulations of Connecticut State Agencies, the Post-2002 Nitrogen Oxides Budget Program;

(2) "Title IV source" means an affected unit that is also subject to Phase II of the acid rain control requirements set forth in Title IV of the federal Clean Air Act (42 USC 7651d, et seq.);

(3) "Average emissions rate" means a determination of the rate of SO_2 emissions, measured in pounds of SO_2 per MMBtu, in any calendar quarter from a single Title IV source that was constructed prior to the effective date of this act. Average emissions rate for such a source is calculated by dividing the total quarterly SO_2 emissions, in pounds, from such source by the total quarterly heat input, in MMBtu, for such source;

(4) "Sulfur dioxide" or "SO_2" means a gas that at standard conditions has the molecular form SO_2;

(5) "MMBtu" means million BTU of heat input;

(6) "Calendar quarter" means the quarter years ending on the last day of March, June, September and December;

(7) "Emission reduction measures" means the installation of pollution control equipment, fuel or operational changes designed to lower sulfur dioxide emissions at a facility;

(8) "Tonnage cap" means the maximum number of tons of sulfur dioxide that a Title IV source may emit during a calendar quarter;

(9) "Representative quarterly heat input" means the actual heat input at a Title IV source during a given control period, averaged on a quarterly basis, with each quarter ending on the last day of April, July, October and January, except that if the heat input of the preceding or subsequent quarters deviates by more than fifteen per cent, that month shall not be included when calculating the representative quarterly heat input for that Title IV source;

(10) "Given control period" means January 1, 1998, to December 31, 2000, inclusive, or the three years for which the most recent data is available when the tonnage cap is established by the Department of Environmental Protection, whichever is less;

(11) "Facility" means one or more affected units located at the same premises, owned by the same entity.

Sec. 2. (NEW) (a) On and after December 31, 2004, the owner or operator of a Title IV source shall, at each facility, through the use of emission reduction measures or a tonnage cap:

(1) Combust liquid fuel, gaseous fuel or a combination of each provided each fuel possesses a fuel sulfur limit of equal to or less than 0.3 per cent sulfur, by weight (dry basis); or

(2) Meet an average emission rate of equal to or less than 0.33 pounds sulfur dioxide per MMBtu for each calendar quarter for an affected unit at a premises; or

(3) Meet an average emission rate of equal to or less than 0.3 pounds sulfur dioxide per MMBtu calculated for each calendar quarter, if such owner or operator averages the emissions from two or more affected units at a premises; or

(4) Not exceed the quarterly sulfur dioxide emissions tonnage cap established under section 3 of this act.

Sec. 3. (NEW) (a) On or before July 1, 2002, the owner or operator of a Title IV source shall submit to the Department of Environmental Protection a compliance plan to implement emission reduction measures to comply with section 2 of this act. Such plan shall include a description of the measures to be implemented at each facility; a proposed schedule for implementation and specific notification as to whether such compliance plan includes utilization of the tonnage cap provision in subdivision (4) of section 2 of this act for such facility.

(b) The Department of Environmental Protection, upon notice by the owner or operator of a Title IV source that the use of a tonnage cap is part of said facility's plan to comply with section 2 of this act, shall establish a quarterly sulfur dioxide emissions tonnage cap for said facility. Such tonnage cap shall be determined by multiplying the Title IV source's representative quarterly heat input by a 0.3 pounds/MMBtu sulfur dioxide emissions rate. The Department of Environmental Protection shall recalculate the tonnage cap annually and advise the owner or operator of such Title IV source of any new tonnage cap requirement for such facility sixty days prior to the effective date of the new tonnage cap requirement. Any Title IV source utilizing a tonnage cap requirement at such facility to comply with section 2 of this act shall, at all times, comply with the sulfur dioxide emission standards effective on and after January 1, 2002, as established in subsection (c) of section 22a-174-19a of the Regulations of Connecticut State Agencies. Nothing within this section shall prevent an owner of a Title IV source utilizing a tonnage cap at such facility to meet the requirements of this act from operating a facility normally reserved for operation during the hours of highest daily, weekly or seasonal load.

(c) The Department of Environmental Protection shall develop and approve a timeline for the expediting of those permits required for the installation of pollution control equipment or repowering when the owner or operator of a Title IV source submits a plan, pursuant to subsection (a) of this section, indicating that the use of pollution control equipment or repowering is to be utilized by such facility to comply with section 2 of this act. Such expedited permit procedures shall not override the provisions in chapter 446c of the general statutes for public participation. The installation of pollution control equipment utilized to comply with the provisions of this act shall not be subject to local planning and zoning authorities.

(d) If at any time during implementation of Operating Procedure Number 4, the regional independent system operator, as defined in section 16-1 of the general statutes, implements any of said Operating Procedure Number 4 numbered three or higher the chairperson of the Public Utilities Control Authority shall so inform the Commissioner of Environmental Protection who may suspend the emission limitation requirements in subsection (a) of section 2 of this act for an emergency period of not more than thirty days, unless Operating Procedure Number 4 numbered three or higher was implemented because of a shortage of energy supply to Connecticut in which case the Commissioner of Environmental Protection shall suspend the emission limitation requirements in subsection (a) of section 2 of this act for an emergency period of not more than thirty days. In the event that the regional independent system operator continues to implement Operating Procedure Number 4 numbered three or higher after an emergency period of thirty days, the Commissioner of Environmental Protection may suspend the emission limitation requirements in subsection (a) of section 2 of this act for consecutive periods of no more than thirty days as directed by the chairperson of the Public Utilities Control Authority. In the event that the Commissioner of Environmental Protection suspends the emission limitation requirements of this act, said commissioner shall inform the operator of any affected unit of such suspension. Notwithstanding any provision of the general statutes to the contrary, the Commissioner of Environmental Protection may not levy any fine or take other enforcement action against the owner or operator of any affected unit, as defined in section 1 of this act, for any violation of the emissions limitation requirements in section 2 of this act that occurs when the emission limitation requirements of section 2 of this act are suspended. The chairperson of the Public Utilities Control Authority and the Commissioner of Environmental Protection shall: (1) Immediately notify the chairpersons and ranking members of the joint standing committees of the General Assembly having cognizance of matters relating to the environment and energy and technology of any such suspension; and (2) submit a report to the joint standing committees of the General Assembly having cognizance of matters relating to the environment and energy and technology detailing the circumstances and duration of any suspension of the emission limitation requirements in subsection (a) of section 2 of this act.

Sec. 4. (NEW) The Department of Economic and Community Development and the Connecticut Development Authority may provide loans pursuant to sections 32-220 to 32-235, inclusive, of the general statutes to a Title IV source for the installation of equipment for pollution control or repowering and to provide loans or grants to a distribution company, as defined in section 16-1 of the general statutes, for the installation of transmission lines utilized to comply with the provisions of this act.

Sec. 5. Subsection (b) of section 12-587 of the general statutes is repealed and the following is substituted in lieu thereof:

(b) (1) Except as otherwise provided in subdivision (2) of this subsection, any company which is engaged in the refining or distribution, or both, of petroleum products and which distributes such products in this state shall pay a quarterly tax on its gross earnings derived from the first sale of petroleum products within this state. Each company shall on or before the last day of the month next succeeding each quarterly period render to the commissioner a return on forms prescribed or furnished by the commissioner and signed by the person performing the duties of treasurer or an authorized agent or officer, including the amount of gross earnings derived from the first sale of petroleum products within this state for the quarterly period and such other facts as the commissioner may require for the purpose of making any computation required by this chapter. Except as otherwise provided in subdivision (3) of this subsection, the rate of tax shall be five per cent.

(2) Gross earnings derived from the first sale of the following petroleum products within this state shall be exempt from tax: (A) Any petroleum products sold for exportation from this state for sale or use outside this state; (B) the product designated by the American Society for Testing and Materials as "Specification for Heating Oil D396-69", commonly known as number 2 heating oil, to be used exclusively for heating purposes or to be used in a commercial fishing vessel, which vessel qualifies for an exemption pursuant to section 12-412; (C) kerosene, commonly known as number 1 oil, to be used exclusively for heating purposes, provided delivery is of both number 1 and number 2 oil, and via a truck with a metered delivery ticket to a residential dwelling or to a centrally metered system serving a group of residential dwellings; (D) the product identified as propane gas, to be used exclusively for heating purposes; (E) bunker fuel oil, intermediate

fuel, marine diesel oil and marine gas oil to be used in any vessel having a displacement exceeding four thousand dead weight tons; (F) for any first sale occurring prior to January 1, 2000, propane gas to be used as a fuel for a motor vehicle; (G) for any first sale occurring on or after July 1, 2002, grade number 6 fuel oil, as defined in regulations adopted pursuant to section 16a-22c, to be used exclusively by a company which, in accordance with census data contained in the Standard Industrial Classification Manual, United States Office of Management and Budget, 1987 edition, is included in code classifications 2000 to 3999, inclusive, or in Sector 31, 32 or 33 in the North American Industrial Classification System United States Manual, United States Office of Management and Budget, 1997 edition; [or] (H) for any first sale occurring on or after July 1, 2002, number 2 heating oil to be used exclusively in a vessel primarily engaged in interstate commerce, which vessel qualifies for an exemption under section 12-412; or (I) for any first sale occurring on or after October 1, 2001, liquid fuel that possesses a fuel sulfur limit equal to or less than 0.3 per cent sulfur by weight (dry basis), that is purchased for the purpose of combustion at a Title IV source, as defined in section 1 of this act.

(3) The rate of tax on gross earnings derived from the first sale of grade number 6 fuel oil, as defined in regulations adopted pursuant to section 16a-22c, to be used exclusively by a company which, in accordance with census data contained in the Standard Industrial Classification Manual, United States Office of Management and Budget, 1987 edition, is included in code classifications 2000 to 3999, inclusive, or in Sector 31, 32 or 33 in the North American Industrial Classification System United States Manual, United States Office of Management and Budget, 1997 edition, or number 2 heating oil used exclusively in a vessel primarily engaged in interstate commerce, which vessel qualifies for an exemption under section 12-412 shall be: (A) Four per cent with respect to calendar quarters commencing on or after July 1, 1998, and prior to July 1, 1999; (B) three per cent with respect to calendar quarters commencing on or after July 1, 1999, and

prior to July 1, 2000; (C) two per cent with respect to calendar quarters commencing on or after July 1, 2000, and prior to July 1, 2001; and (D) one per cent with respect to calendar quarters commencing on or after July 1, 2001, and prior to July 1, 2002.

Sec. 6. Section 16-244c of the general statutes is amended by adding subsection (g) as follows:

(NEW) (g) Notwithstanding any provision of the general statutes, no owner or operator of an affected unit, as defined in section 1 of this act, may bid on default electric service when such owner or operator is found to have violated on more than one occasion the sulfur dioxide emissions standards, as established in regulations adopted under section 22a-174 of the general statutes, or the nitrogen oxides emissions standards as established in regulations adopted under section 22a-174 of the general statutes.

Sec. 7. (NEW) The Department of Public Utility Control shall annually conduct a contested case proceeding, pursuant to chapter 54 of the general statutes, to examine and report to the General Assembly on January 1, 2002, and January first of each year thereafter on the status of demand, supply and reserves of electric power available to the state, including a projection of future demands, supply and reserves for each of the next five years as measured from the date of the report and the necessary transmission and distribution system, including any repairs or enhancements thereto and the potential cost of any such repair or enhancement. Until such time as the standard offer established pursuant to section 16-244c of the general statutes terminates as provided in said section, such examination and report shall include, but not be limited to, an analysis of the effects of the provisions of this act on the ability of each electric distribution company, as defined in section 16-1 of the general statutes, to make available to such distribution company's customers said standard offer at the rate prescribed by said section. Upon the termination of the standard offer, such report and examination shall include, but not be limited to, an analysis of the effects of the provisions of this act on the ability of each electric distribution company to procure, pursuant to subsection (b) of section 16-244c of the general statutes, electric generations services for customers who do not or are unable to arrange for or maintain electric generation services with an electric supplier.

Sec. 8. Subsection (c) of section 16-245n of the general statutes is repealed and the following is substituted in lieu thereof:

(c) There is hereby created a Renewable Energy Investment Fund which shall be administered by Connecticut Innovations, Incorporated. The fund may receive any amount required by law to be deposited into the fund and may receive any federal funds as may become available to the state for renewable energy investments. Connecticut Innovations, Incorporated, **[**may**]** <u>shall</u> use any amount in said fund for expenditures which promote investment in renewable energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of renewable energy sources, related enterprises and stimulate demand for renewable energy and deployment of renewable energy sources which serve end use customers in this state. Such expenditures may include, but not be limited to, grants, direct or equity investments, contracts or other actions which support research, development, manufacture, commercialization, deployment and installation of renewable energy technologies, and actions which expand the expertise of individuals, businesses and lending institutions with regard to renewable energy technologies.

Sec. 9. This act shall take effect from its passage.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Various

Affected Agencies: Department of Environmental Protection, Department of Public Utilities Control, Department of Economic and Community Development, Department of Revenue Services, Connecticut Development Authority (quasi-public) and Connecticut Innovations, Inc. (quasi-public)

Municipal Impact: See Explanation Below

Explanation

State and Municipal Impact:

It is anticipated that based on the specifications in the bill, 12 boilers at 6 facilities would need to limit emissions either by reducing actual emissions or through a tonnage cap on or after December 31, 2004. Eliminating the ability to use credit trading, to meet the regulations stage two sulfur dioxide standards limits the flexibility of the sources and is estimated to increase compliance costs. Due to the elimination of the emissions trading provisions, and depending upon the compliance methodology adopted by the source, it could increase costs for power in the millions of dollars above the costs associated with the regulations. Such costs could be passed on to the users including the state and municipalities. The exact impact is indeterminate at this time.

The submittal of compliance plans to the Department of

Environmental Protection (DEP) by July 1, 2002 will increase costs to the department. However, since it is not known at this time how complicated, or not these plans will be, the exact impact is indeterminate. The recalculation of the tonnage cap would increase the future workload of, and potential costs to DEP. If annual recalculations are needed for emissions of all 12 boilers, DEP would require one-half of a full-time employee at a cost of approximately $25,000.

Any increase in the administrative workload of DEP due to development and approval of a timeline as well as enforcement, monitoring or suspension of its sulfur dioxide standards is anticipated to be handled within agency resources but could require the diversion of staff from other duties.

The bill requires the Department of Public Utility Control (DPUC) to inform the DEP to suspend the emission limitation requirements if the independent system operator (ISO) implements any of said Operating Procedure Number 4 numbered three or higher. It is anticipated that the DPUC may require an additional staff position with associated expenses of $75,000 to monitor the activities of the ISO and provide timely notice to the DEP. No funds for this purpose were included in sHB 6668, "AAC the State Budget for the Biennium Ending June 30, 2003 and the Making Appropriations Therefor."

The bill requires the DPUC to conduct a contested case hearing and annually report to the General Assembly on the status of electric supply, demand and reserves. It is anticipated the DPUC can make such reports within the normal budgetary resources of the agency.

Section 5 of the bill limits the gross earnings tax exemption for liquid fuel with a sulfur limit equal to or less than .3 percent sulfur to that sold to electric generating plants. It is not expected that this fuel will be purchased before January 2, 2005. The amount purchased and used after that date, and therefore the revenue loss, is not known.

Allowing the Department of Economic and Community Development (DECD) and Connecticut Development Authority (CDA) to provide loans from the Manufacturing Assistance Act to a source for the installation of equipment for pollution control or repowering and to provide loans or grants to a distribution company for the installation of transmission lines will expand the current use of the program. This could increase the need for future GO bond authorizations and increase future costs for debt service. The unallocated balance as of May 24, 2001 is approximately $83.5 million. Additional funds in the amount of $30 million in both FY 02 and FY 03 are authorized in sSB 1152.

Requiring Connecticut Innovations, Inc. (CII) to use the Renewable Energy Investment Fund for expenditures which promote investment in renewable energy sources instead of it being discretionary, is not anticipated to have a fiscal impact since this is the funds intended use. The Renewable Energy Investment Fund is capitalized through a charge on electric bills and has a balance of $12.4 million as of March 31, 2001.

The bill also provides that the installation of pollution control equipment utilized to comply with the bill is not subject to local planning and zoning authorities, potentially reducing their future workloads.

House "A" limits the fuel tax exemption from the bill to fuel sold for use in the plants, eliminates a property tax exemption from the bill, expands DPUC reporting, deletes a Siting Council requirement, modifies circumstances for suspension and the tonnage cap.

House "B" requires rather than allows CII to use money in the Renewable Energy Investment Fund for promoting investment in renewable energy and eliminates specific requirements to develop three projects.

OLR Amended Bill Analysis
sHB 6365 (as amended by House "A" and "B")*

AN ACT CONCERNING CLEAN AIR STANDARDS FOR CERTAIN POWER PLANTS.

SUMMARY:
Recently adopted Department of Environmental Protection (DEP) regulations impose tighter air emission standards on the state's older fossil fuel power plants. This bill eliminates emissions credit trading as a way for these plants to meet the regulation's stage two sulfur dioxide (SO_2) standards as of December 31, 2004, approximately two years after the standard goes into effect under the regulations. But it adds another compliance option (a tonnage cap) as of this date. It requires plant owners to submit a compliance plan to DEP by July 1, 2002.

The bill allows, and in certain cases requires, DEP to suspend the stage two standards if there is a shortfall in electricity supply. The bill appears to supersede a provision in the regulations that allows the DEP commissioner to waive the standards for a plant that normally meets them by burning low sulfur fuel if he finds that there is an emergency shortage in the supply of such fuel.

The bill includes several provisions, including a tax exemption on low sulfur oil, to reduce the costs of complying with its requirements. On the other hand, it bars owners of units that have violated the SO_2 and nitrogen oxide standards in the regulations more than once from bidding for default electric service. By law, the electric utilities must bid out the supply of electricity for this service, which provides power after January 1, 2004 to people who do not choose a competitive supplier. The bill also includes several measures to promote renewable energy resources. It requires, rather than allows, Connecticut Innovations, Inc. (CII) to use the money in the Renewable Energy Investment Fund for expenditures that promote investment in renewable energy.

The bill requires the Department of Public Utility Control (DPUC) to

report to the legislature by January 1 annually on the status of electric power supply, demand, and reserves. The report must include projections of these variables for the next five years. It also must analyze the bill's effect on the provision of electricity to customers who do not choose a competitive supplier.

*House Amendment "A" (1) modifies the circumstances under which the stage two standards can be suspended and lengthens the maximum initial suspension period from seven to 30 days, (2) modifies the tonnage cap provisions, (3) limits the fuel tax exemption to fuel sold for use in the plants, (4) expands the DPUC reporting requirement, (5) deletes a provision of the bill that exempted the installation of pollution control equipment or the rebuilding of plants under the bill from the need to obtain a Connecticut Siting Council certificate, and (6) makes a minor change regarding renewable energy projects.

*House Amendment "B" requires, rather than allows, Connecticut Innovations, Inc. to use the money in the Renewable Energy Investment Fund for expenditures that promote investment in renewable energy and eliminates a provision in the bill requiring it to develop three renewable energy projects.

EFFECTIVE DATE: Upon passage

DEP REGULATIONS

The regulations limit SO_2 and nitrogen oxide emissions from affected units. Under the regulations, an affected unit is a major stationary source of air pollution built before 1977. The SO_2 standards apply only to power plants, most of which consist of several units.

Starting January 1, 2002, the regulations' stage one standards require unit owners to (1) burn fuel with an average sulfur content of no more than 0.5%, (2) meet an emissions rate of not more than 0.55 pounds of sulfur per million British Thermal Units (BTUs) of fuel burned at the plant, or (3) meet an emissions rate of not more than 0.5 pounds of sulfur per million BTUs for all units on the premises. The owner must meet the standard using on-site measures. These are the installation of pollution control equipment or fuel or operational changes that lower emissions at the facility. The bill does not affect these requirements.

COMPLIANCE OPTIONS

The bill codifies the regulation's stage two standards starting December 31, 2004. (Under the regulations, the stage two standards go into effect on January 1, 2003.) Under the regulations and the bill, plant owners must (1) burn fuel with an average sulfur content of no more than 0.3%, (2) meet a maximum emissions level of 0.33 pounds per million BTUs of fuel burned at the plant, or (3) meet a maximus emissions level of 0.3 pounds per million BTU for all of the units on the premises. Under the bill, but not the regulations, the plant also can meet the tonnage cap described below.

Under the regulations, the owner can use the on-site measures described above or emissions credit trading to reduce emissions from the stage one standard to the stage two standard. (It must continue to meet the stage one standard by on-site measures.)

The bill eliminates credit trading as a compliance option as of December 31, 2004. (It implicitly allows trading as a compliance option from January 1, 2003 until that date.)

COMPLIANCE PLAN

The plant owner must submit a compliance plan to DEP by July 1, 2002. The plan must describe the measures the owner will take to comply with the stage two standards, and include an implementation schedule and a notice as to whether the owner will use the tonnage cap option.

Upon receiving the notice, DEP must calculate a quarterly tonnage cap for the plant. The tonnage cap equals the plant's representative heat rate multiplied by 0.3 pounds per million BTUs of fuel burned. The representative heat rate is a measure of the unit's efficiency during the "given control period." This period is January 1, 1998 to December 31, 2000, or the three years for which the most recent data is available when DEP calculates the cap. If the heat rate for a given month during the period differs by more than 15% from the preceding or subsequent quarter, that month must be dropped from the calculation.

The cap is calculated in tons of emissions per calendar quarter. DEP must recalculate the cap annually, notifying the owner at least 60 days before it goes into effect. Any owner that uses this option must continue to meet the stage one SO_2 standards contained in the regulations. These provisions do not prevent the operation of a "peaker", i.e., a plant that normally operates during the hours of highest daily, weekly, or seasonal load.

SUSPENSION OF STANDARDS

The bill allows under certain circumstances and requires under others the DEP commissioner to suspend its SO_2 standard. Under the bill, if the Independent System Operator (ISO-the entity that runs the regional power grid) begins to take steps to respond to a potential or actual electricity shortage, the DPUC chairperson must notify the DEP commissioner. Specifically, this provision applies if ISO reaches stage three of its Operating Procedure 4, when it begins to curtail power to customers on interruptible contracts. Upon receiving the notification, the DEP commissioner can suspend the stage two standard for up to 30 days.

If this stage of Operating Procedure 4 was invoked because of a shortage of energy supply to Connecticut, the commissioner must suspend the standards for up to 30 days. If ISO continues to implement Operating Procedure 4 after the 30-day period, the commissioner can suspend the standard for consecutive periods of up to 30 days as advised by the DPUC chairperson. The commissioner must notify the operator of the unit affected by the suspension.

The commissioner cannot penalize a plant owner for violating the standard while a suspension is in effect. The commissioner and chairperson must immediately notify the chairs and ranking members of the Energy and Technology and Environment committees of a suspension. The agency heads also must report to the committees on the circumstances and duration of such suspensions.

The bill appears to supersede provisions in the regulations that allow the DEP commissioner to suspend the stage two standards for any unit that normally meets the standards by burning low sulfur fuel if he finds that (1) the supply of the fuel is inadequate to meet the needs of the state's consumers and (2) this shortage constitutes an emergency. Under the regulations, the owner of the affected units must report the emissions attributable to the suspension. If the excess emissions exceed 50 tons, the commissioner can require the owner to offset them through credit trading.

INCENTIVES

The bill provides several mechanisms to reduce a plant owner's cost of complying with its requirements. Starting October 1, 2001, it exempts, from the petroleum products gross receipts tax fuel with sulfur content at or below 0.3% sold for use in the plants affected by the bill.

The bill allows the Department of Economic and Community Development and the Connecticut Development Authority to provide (1) loans under the Manufacturing Assistance Act for installating pollution control equipment or rebuilding plants and (2) loans and grants to an electric utility to install transmission lines to comply with the bill.

DEP must approve a timeline for expediting permits needed for pollution control equipment or rebuilding a plant when an owner indicates that it will pursue these options to meet the stage two limits. The timeline cannot override current requirements for public participation in the permitting process. The bill exempts the installation of pollution control equipment from local zoning and planning regulation.

RENEWABLE ENERGY

The bill provides a property tax exemption for machinery and equipment used in the research, development, deployment, and installation of certain renewable energy sources, including fuel cells. By law, the renewable technologies themselves, when used in residences, are subject to a local option tax exemption.

DPUC REPORT

The bill requires DPUC to annually conduct an investigation on electric supply demand and related issues and report its findings to the General Assembly by January 1. The investigation must be conducted as a contested case, i.e., as a quasi-judicial proceeding in which the Office of Consumer Counsel is entitled to participate as a party. The investigation and report must cover: (1) the status of electric demand, supply, and reserves available to the state; (2) projections for these variables for the next five years; and (3) the necessary transmission and distribution system, including repairs and enhancements and their costs.

By law, the distribution companies (electric utilities) must provide fixed- rate, standard- offer service to those customers who do not choose a competitive supplier. This requirement runs until January 1, 2004, unless the legislature extends it. Thereafter, the companies must provide default service at market rates to these customers.

The bill requires that, until the end of standard offer, the investigation and report analyze the bill's effects on the companies' ability to provide standard offer power at the statutorially set rate. Thereafter, the investigation and report must analyze the bill's effect on the ability of the companies to procure power for default service.

BACKGROUND

Legislative History

The House referred the original bill (File 398) to several committees, all of which reported the bill without changes, as shown in Table 1.

Table 1: Legislative History of sHB 6365

Committee	House Referred	Committee JF'd
Planning & Development	4/27	4/30
Energy & Technology	5/2	5/8
Commerce	5/9	5/14
Finance, Revenue & Bonding	5/16	5/17
Legislative Management	5/21	5/22
Appropriations	5/23	5/23

COMMITTEE ACTION

Environment Committee

Joint Favorable Substitute
Yea 27 Nay 1

Planning and Development Committee

Joint Favorable Report
Yea 10 Nay 5

Energy and Technology Committee

Joint Favorable Report
Yea 12 Nay 3

Commerce Committee

Joint Favorable Report
Yea 18 Nay 6

Finance, Revenue and Bonding Committee

Joint Favorable Report
Yea 26 Nay 17

Legislative Management Committee

Joint Favorable Report
Yea 23 Nay 8

Appropriations Committee

Joint Favorable Report
Yea 41 Nay 8